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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 8 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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NAVY AND DOS review(s) completed.

SECTION 1 (SOVIET)

"B" USSR. USSR Proposes Big Five Meeting to Prepare Japanese Peace Treaty.
In a 7 May 51 memorandum to the US Ambassador in Moscow, the USSR proposed a meeting of foreign ministers of the USSR, US, France, Britain and Communist China in June or July to begin preparing a Japanese peace treaty. The note sharply criticized the US draft treaty, which the USSR received 29 Mar 51, and outlined Soviet proposals for a treaty. [REDACTED]

25X1 [REDACTED] COMMENT: The Soviet position, allegedly based on Potsdam arrangements, has consistently been that a Japanese peace treaty should be prepared by the CFM, including Communist China and operating under the veto power. At the last CFM meeting in May 1949, although Far Eastern questions were not on the agenda, the USSR proposed that a date be set for a Big Five meeting to discuss a Japanese treaty. On 3 March 51 Soviet UN delegate Malik refused to continue talks with Ambassador Dulles which had taken place on 16 Oct 50, 20 Nov 50 and 13 Jan 51, and publicly denied having entered them, thus indicating no substantive interest in the US-sponsored draft treaty. Since the USSR is aware that its latest proposal is unacceptable to the Western Powers, the Soviet note serves to reaffirm for propaganda purposes Soviet interest in speedy conclusion of a Japanese treaty, and also to document a case for future denunciation of a Western treaty as illegal.

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"B" EASTERN EUROPE. HUNGARY. Replacement of Hungarian Minister to US Imminent.
The US Legation in Budapest has been confidentially informed that the Hungarian Government intends to replace Imre Horvath as Minister to Washington by Dr. Emil Weil. The Legation notes that Weil is a Communist who was elected to Parliament in 1947 and reelected in 1949. He is Secretary General of the Trade Union of Health Service Employees. Since visiting the USSR in July 1949, he has been trying to reorganize Hungarian medicine along Soviet lines. Poor health was given as the reason for Horvath's replacement. [REDACTED] COMMENT: Weil, who is approximately 65 years of age, was imprisoned from 1932-40 for engaging in underground Communist activities in Hungary. In 1940 he was extradited to the USSR. He returned to Hungary in 1945 and has made several trips to the USSR since that time. Not one of the inner circle of Communist leaders, Weil is reported to have expressed disappointment that he was not elected to the Central Committee at the time of the HWP elections early this year.

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"B" POLAND. Poles Acquire Further Shipping from Denmark. CINCELM has received a reliable report that Poland has acquired a fourth vessel, the MARCHEN MAERSK, from Denmark under the terms of the Polish-Danish trade agreement. The acquisition is described as a 6,580 ton motor ship built in 1937. [REDACTED] COMMENT: Since September 1950 the Poles have also acquired from Denmark under the trade agreement the BENNY SKOU (3,765 GT), the DANSBORG (4,984 GT), and the former Norwegian vessel CYPRIA (4,366 GT). In addition the Poles have purchased during the same period the Danish GLADYS DAN (4,467 GT), the Philippine DONA ANICETA

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(5,011 GT) and the Norwegian HELGOY (5,614 GT). The HELGOY, DANSBORG and DONA ANICETA are transporting strategic goods between Poland and China. A further six Polish vessels with an approximate total tonnage of 39,000 are engaged regularly in the same traffic. This represents a large increase over the one Polish vessel that was engaged in the Poland-China trade in September 1950.

"G"

Elementary School System to be Reformed. A new program for the Polish elementary school system, details of which have not yet been released, has been announced by the Minister of Education. The alleged purpose of the program is to eliminate "the poisoning of nationalism" and to provide a "new world outlook" necessary for the development of a socialist state. In connection with this announcement it was revealed that the Praesidium of the Council of Ministers has established a new body whose task it will be to revise all textbooks used in Polish schools. The US Embassy Warsaw comments that these moves seem to be part of the Government's program to accelerate and tighten Communist control over all phases of education, information, and opinion in Poland, possibly in an effort to counter the growing public resentment against Poland's Sovietization.

25X1 [] COMMENT: According to numerous observers the Polish Government has already achieved a degree of success in training the minds of elementary school children along Communist lines. These latest efforts are additional steps in the long range Communist plan to produce growing numbers of reliable Communists for the future.

"A"

YUGOSLAVIA. Cominform Subversive Camps on the Yugoslav Periphery. Fairly reliable reports are being received that a number of camps have been established over a period of months in the Cominform countries on the Yugoslav periphery in which Eastern Europeans, Germans, and anti-Tito Yugoslavs are being trained in sabotage, propaganda, political agitation and espionage, as well as parachute jumping. The purpose of the camps is reported to be the supply of agents for infiltration into Yugoslavia. This conclusion is supported by a number of reports [] of trials involving Yugoslavs as well as Albanians, Bulgarians, and other Cominform nationals who are charged with illegally entering Yugoslavia for the purpose of preparing the overthrow of the State authority. The tight security measures of the Yugoslavs, however, have prevented these activities from achieving any large degree of success to date. []

25X1 [] it is probable that General Pero Popivoda, a pro-Soviet Yugoslav, is in charge, with headquarters in the vicinity of Timisoara, Rumania. Subordinate leaders include Bulgarians, Rumanians, and Hungarians who have been trained in the USSR and detailed to camps in their native countries. [] Russians are in charge of certain of the camps. Available information on the camps indicates that they are relatively small, normally consisting of only several hundred trainees. The existence of over 90 camps have been reported, but more reliable information is available on only 15-20.

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Radio Belgrade has reported that over 20 "centers for sabotage" were located in the Satellite countries on the Yugoslav border. Of the 19 camps accepted, 5 are in Albania, 3 in Bulgaria, 4 in Rumania and 7 in Hungary. It is impossible to estimate the number of personnel involved in these training activities.

SECTION 2 (EASTERN)

"B" ISRAEL-SYRIA. Armed Conflict Continues. Reports from Tel Aviv and Damascus continue to reflect the efforts of each of the two governments to pin the label of aggressor on the other. There is evidence of considerable activity in the demilitarized zones on the Israeli-Syrian frontier. The Israeli Army reports the capture of 18 Syrian prisoners, presumably members of the Syrian Army; the Syrian Prime Minister admitted to the US Minister that Syrian civilians had crossed into Israeli territory. The Prime Minister, however, has given the US Minister in Damascus assurances that he will give complete and unequivocal cooperation to the UN in restoring order. Israeli spokesmen at the UN have privately expressed the opinion that the return of Major-General Riley, Chief of Staff of the UN Truce Supervision Organization, to Palestine would promote a settlement. [REDACTED] 25X1

25X1 [REDACTED] COMMENT: US notes to both countries urging them to restore peaceful conditions in the present area of conflict, as well as UN Security Council consideration of the situation on 8 May, may result in both governments taking more effective measures to stop hostilities. 25X1

"B" PAKISTAN. Pakistan Protests Convening of Kashmir Constituent Assembly. On 4 May, Sir Zafrullah Khan, Pakistani delegate to the UN, called the attention of the Security Council to the proclamation issued on 30 April 1951 by the Yuvaraja of Kashmir convoking a Constituent Assembly in Kashmir. [REDACTED] Zafrullah claims that this action challenges the authority of the Security Council and violates the 30 March 1951 UN SC Resolution on Kashmir. He requests the SC to take proper measures to prevent the authorities in Kashmir from pursuing a course which is bound to create an explosive situation. [REDACTED] 25

25X1 [REDACTED] COMMENT: It has been expected that Pakistan would protest this action because of its fear that a Constituent Assembly in Kashmir would act unilaterally to ratify accession of the state to India. However, since the Indian Congress Party leadership, the Indian press, and the Indian-dominated Government of Kashmir have endorsed the calling of the Assembly, it will be difficult for the Security Council to prevent its meeting.

"B" INDIA. Kashmir Prime Minister Does Not Expect "Any Justice" from United Nations. According to the Indian press, Sheikh Abdullah, Prime Minister of Kashmir, made a speech on 4 May in which he stated that Kashmir was convening a Constituent Assembly since there appeared to be no other alternative to end the three-year political stalemate in the

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State. He added that Kashmir did not expect "any justice from the United Nations and power-mad nations who (are) bartering off Kashmir as if it were a piece of property" and who are appeasing Pakistan at the cost of both India and Kashmir. The newspaper STATESMAN cited him as saying that no power can veto the decisions of the Constituent Assembly. [REDACTED]

"B" MALAYA. Conflicting Estimates on Bandit Situation. In a conversation with US Ambassador Stanton (Thailand), UK Commissioner MacDonald evinced far less optimism over the progress of the anti-bandit campaign than in conversation with the Ambassador about a year ago. [REDACTED]

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[REDACTED] COMMENT: The preponderance of reports from Malaya tend to support MacDonald's attitude.

"B" PHILIPPINES. Possible Attempts to Free Jailed Communists. Recently captured documents indicate the Huks may stage violent attacks throughout Luzon and attempt to liberate 14 members of the Communist Party "politburo" now in jail awaiting sentence on 9 May. US Embassy Manila notes that previous Huk plans to free the prisoners were frustrated by timely warning and their removal to a naval vessel in Manila Bay. The Embassy states that elaborate precautions are being taken by military authorities to prevent a successful rescue attempt following the court verdict. [REDACTED]

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COMMENT: The Communists now awaiting sentence were arrested in a series of raids, begun in October 1950 by Manila police and military intelligence authorities.

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"C" THAILAND. Exiled General Kach Returns to Bangkok. Lt. Gen. Luang Kach Songgram returned to Thailand on 30 April and was immediately taken into police custody. Although it is rumored that various charges will be brought against Kach, it is generally believed that he made a deal either with Premier Phibun, who wishes his support to counter the growing power of the ambitious Deputy Police Director Phao, or with Phao, who seeks Kach's army support to weaken Phibun. US Embassy, Bangkok comments that although the first possibility appears to be slightly more probable, the nature of charges, if any, to be brought against Kach and the question of his release from the police would soon determine where Kach stands. [REDACTED]

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COMMENT: While it is highly unlikely that Kach would openly return to Bangkok without Phibun's permission, there is no assurance that he will not switch his allegiance at any time.

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"B" INDOCHINA. MacDonald's Views on the Situation in Vietnam. The UK High Commissioner for Southeast Asia, Malcolm MacDonald, in an interview with US Minister Heath at Saigon, expressed his belief that the French were not deliberately delaying the creation of a Vietnamese Army and that De Lattre was becoming increasingly aware of the subtleties of the political situation. Observing that Prime Minister Huu was obviously not popular, he thought, however, that Huu was getting real results and was putting the Vietnamese Government on a working basis.

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MacDonald thought Korea was probably a restraining influence on the Chinese, but suggested probable repetition of the sort of limited Chinese intervention which occurred in Tonkin during April. COMMENT: MacDonald is an experienced observer of Southeast Asian affairs but tends to be optimistic.

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"B" Nationalists Fears of US Influence on Taiwan. The arrival of the Chase mission has symbolized to the press and public, according to a report from the US naval attache in Taipei, that the Kuomintang has gained its basic objectives - security for Taiwan plus a prospect of economic improvement, and thus attained a first and most important milestone on the road back to the mainland. Fears have arisen, however, that (1) Taiwanese agitation for a US take-over of the island will reach many American ears, and (2) growing pro-US orientation will weaken admiration of and dedication toward the Nationalist Government.

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COMMENT: The Nationalist Government is extremely concerned over maintaining "face" among its own people, and has always been sensitive to US influence in China. The above reaction parallels similar developments during World War II when the US attempted to control and direct assistance to the Kuomintang in China Proper.

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"C" KOREA. ROK Offers to Place New Army Under US Officers. Reuters reports from Korea that the South Korean Foreign Ministry tentatively offered to place its army under the command of US officers as an alternative to ending the Korean War in any compromise which would leave the country divided. The proposal urged that ten divisions be formed from the 500,000 partially-trained Koreans who are available for military duty but lack weapons. After explaining that the ROK is not prepared to carry on the war in its homeland without outside assistance, the statement claimed that such a force could maintain the Yalu-Tumen boundary, once it is secured, without requiring the UN to maintain a full military complement in Korea. The Foreign Office added that, if the US was "of the opinion" that Korean officers were inadequately trained, the ROK would be happy to place US officers in high points and not in an advisory capacity.

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COMMENT: Although the South Korean Government has frequently requested arms, this latest plea is indicative of the feeling of national frustration that would be involved in any solution of the Korean dispute which leaves the boundaries of the ROK short of the Sino-Korean border.

"C" JAPAN. Japanese Airline to be Inaugurated. The Government will grant the Japan Airways, headed by recently depurged FUJIYAMA Aichiro, a license for operation of a passenger air line in Japan about 10 May, and operations are expected to start 1 July. COMMENT: Since the Japanese are prohibited by FEC directive from owning or operating aircraft, Japan Airways will contract with one or more international airlines to undertake actual flight operations. Fujiyama's group is closely associated with Chennault's Civil Air Transport, Inc., which reportedly has been maneuvering to gain a predominant position in Japanese aviation.

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"C" Japanese Reaction to Soviet Treaty Proposal. the Soviet Union's note to the US of 7 May proposing a Conference of Foreign Ministers to discuss

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the Japanese peace settlement will not seriously affect the US policy for an early conclusion of a treaty. Most Conservative leaders in Japan have expressed the opinion that the Soviet note was designed to delay the treaty, to use the proposed talks as a weapon in the "cold war", and to split the Japanese people. [REDACTED]

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[REDACTED] COMMENT: Although the Japanese naturally desire to conclude a peace with all the former belligerents, they have no illusions as to the eventual aims of the USSR towards Japan. The Soviet proposal that all foreign troops be removed from Japan would no longer be acceptable to the majority of the Japanese people, who, since the outbreak of the Korean war, have been vividly aware of the dangers of their defenseless position.

"C"

Press More Outspoken towards MacArthur and New SCAP. In an editorial on 8 May, Japan's influential daily "ASAHI" expressed doubt that bombing Manchurian bases as advocated by General MacArthur would bring about a UN victory in Korea. The daily stated that this development would not necessarily increase the chances for a cease-fire or discourage Red China from continuing its military effort in Korea....The "Oriental Economist", Japan's best known economic magazine, has urged in an editorial that the new SCAP meet as many (Japanese) people as possible, and voiced an implied criticism of the manner in which General MacArthur avoided contact with the Japanese. [REDACTED]

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COMMENT: ASAHI's editorial expresses a prevalent fear among the Japanese that the bombing of the Communist sanctuary in Manchuria would bring retaliation against the UN bases in Japan. Of significance is the fact that the Japanese press feels free to discuss SCAP policy and to offer advice to SCAP, departing thereby from the restraint under which it operated during the MacArthur tour of duty in Japan.

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SECTION 3 (WESTERN)

"B" MOROCCO. French Residency Courts Renewed Moslem Agitation. Recent activities and the generally provocative attitude of French officials who control the administration of the International Zone of Tangier are considered by the US Legation in Tangier to be conducive to renewed agitation regarding Morocco. As a participant in the administration of Tangier, the US shares responsibility for all administrative acts, and the US Diplomatic Agent in Tangier has, therefore, urged the International Zone officials to use moderation in dealing with the nationalists. [REDACTED] 25X1

COMMENT: Although it is extremely doubtful that the Moroccans would resort to violence, the French continue to antagonize the Arabs by efforts to discredit the Moroccan nationalists and suppress all opposition. Repression has extended to the International Zone where the French dominate most aspects of the administration.

25X1 "C" AUSTRIA. Week End Will See Large Communist Rally in Vienna. According to a minor official of the Austrian Communist Party (KPOe), approximately 30,000 persons are expected to attend the Whitsuntide meeting in Vienna, 12-13 May. Ten thousand members of the Free Austrian Youth (FOeJ) will participate, as well as 3,000 members of the Young Guard (JG). The affair, which was to have been a peace rally, is now regarded as an opportunity for airing political demands. [REDACTED] COMMENT: This estimate of attendance contrasts with the 50,000 publicly advertised by the KPOe, which also claims 10,000 foreign delegates. Even the above report, however, greatly exaggerates the size of the Free Austrian Youth, which probably has no more than 5,000 members. Western security forces will be alerted over the week end, and Austrian officials, who are sponsoring rival sporting and cultural events, are confident of their ability to control the situation. There are no indications that the KPOe plans to incite disorders.

25X1 "C" ITALY. Unprecedented Strike by Government Employees. The 24-hour strike of government employees (backed by both the Communist and the non-Communist unions) is paralyzing the entire bureaucratic machinery of the country. Premier De Gasperi has called a Cabinet meeting to consider what measures can be taken, for this strike is only a warning of further action. The Italian press points out that the roots of the difficulty are: overstaffing, methods of granting increases without causing inflationary pressures, intransigence on the part of the Government in meeting the demands of its employees, and the failure of Parliament to approve the bill limiting the right of civil servants to strike. [REDACTED]

COMMENT: In view of [REDACTED]

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the impending municipal elections, the Government will probably be forced to take some action toward meeting the justified demands of its employees, although fearful of increasing the budgetary deficit and adding to the inflationary pressures already present and further expected from rearmament. [REDACTED]

5X1 [REDACTED] The wages of Government employees have not been adjusted since the war in Korea, in contrast to the gains made by industrial workers. Nevertheless, revenue is expected to be higher in the next fiscal year, and there is still a considerable margin for greater taxation to offset a general wage increase for Government employees.

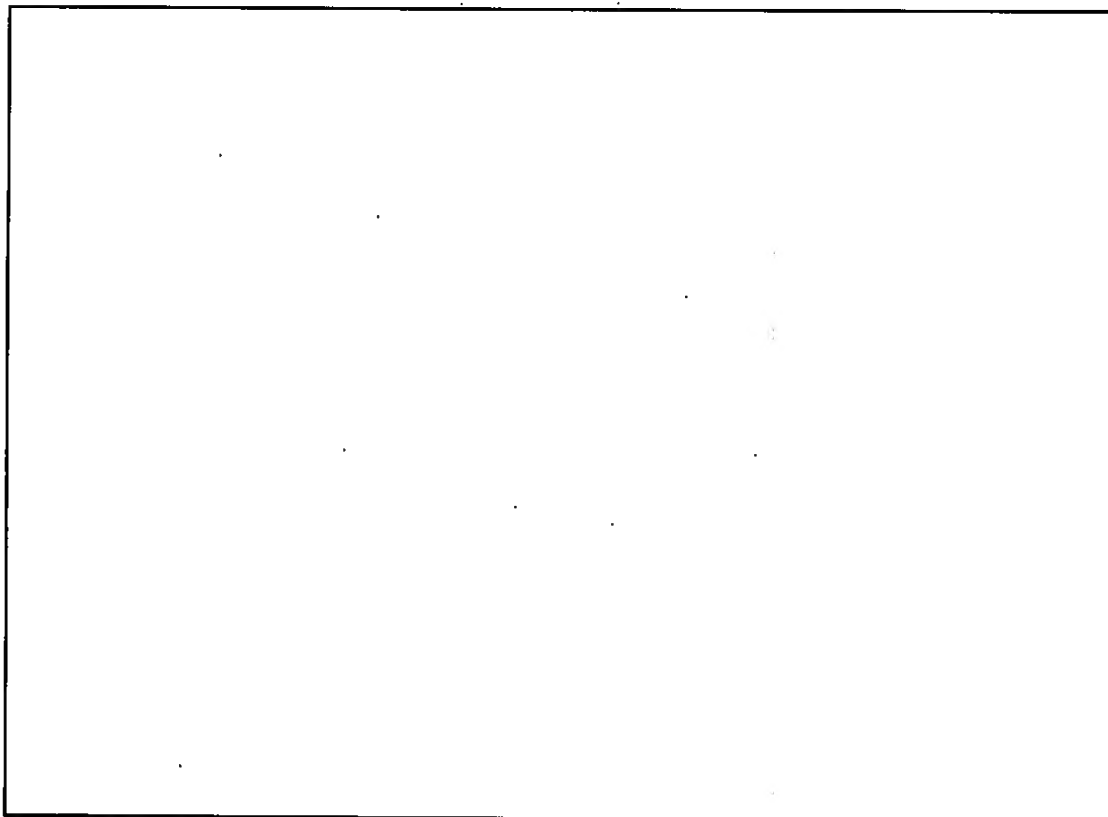
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"C" PANAMA. Political Opposition Instigates Crisis. Embassy Panama reports that enemies of the administration planted rumors which are causing a run on the Caja de Ahorros, a bank patronized largely by the working class, and that the crisis may be expanded by the Government's decision to use strong methods against the opposition. The local Chase Bank is giving financial support to the threatened Panamanian bank. [REDACTED] Radio reports indicate that Arias has reinstated the 1941 constitution (thereby automatically extending his term from 1952 to 1954) and is governing by decree until such time as elections are held for a new Congress. [REDACTED]

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25X1 [REDACTED] COMMENT: Arias' maladministration and arbitrary actions have created an unstable political situation and his arbitrary extension of his term in office will cause widespread unrest. The President has lost prestige steadily during the past year, and rumors that he desired to extend his term have caused considerable anxiety among the opposition. However, the fact that the local Chase Bank is supporting the Caja de Ahorros, and the additional fact that the administration, [REDACTED] is not guilty of chicanery in the present bank crisis, are factors against the rise of such popular indignation as would induce the Police-Chief, key to Panamanian stability, to withdraw his support from President Arias.

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25X1 "C" ECUADOR. Cabinet Crisis. US Embassy Quito was informed on 6 May that all Cabinet Ministers except the Minister of Economy have presented their resignations. The President is expected to retain the Ministers of Foreign Affairs, National Defense, Public Works, and Social Welfare. [REDACTED] COMMENT: Rumors of dissension within the "official family" have been growing, and there has been an apparent break between the Ministers of National Defense and Economy. If President Plaza is unable promptly to select a Cabinet which is satisfactory to the various political groups—now jockeying for position in the 1952 elections—the political situation probably could deteriorate sufficiently for opposition groups to force Plaza from office.

"C" BOLIVIA. Minister Claims Paz Estenssoro Ineligible for Presidency. Foreign Minister Arce has told US Embassy La Paz [REDACTED] that Victor Paz Estenssoro, Movimiento Nacionalista Revolucionario (MNR) candidate, is not legally eligible to enter the presidency because he is out of the country, not registered as a voter, and subject to proceedings connected with abuses when the MNR was in power. Incomplete returns from the 6 May presidential election credit Paz with the greatest number of votes but not the fifty per cent plus one required to win; therefore, according to the constitution, the decision should go to Congress in August. If the Government maintains this strict constitutional interpretation, an MNR-sponsored revolution seems logical. [REDACTED] 25X1

COMMENT: The MNR is convinced that it should gain an unequivocal victory. If, at this late date, the Government should attempt to disqualify Paz, the MNR will resort to revolutionary activity.

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SECTION 2 (EASTERN)

"C" GREECE. UK Rejects Greek Demarche of Enosis. The US Embassy in Athens has learned from Prime Minister Venizelos on 2 May that UK Foreign Secretary Morrison categorically refused to make any declaration concerning Enosis (Union of Cyprus with Greece) and had been unwilling even to admit that the question might be discussed between Greece and the UK sometime in the future. [REDACTED] Although Venizelos, who was indignant at the UK attitude, stated that Greece does not intend to bring up the question at the UNGA, he suggested that the Cypriots themselves might ask an Arab state to introduce the subject. Venizelos insisted that the situation would be eased if the UK could be persuaded to make even the most vague and general sort of statement indicating its willingness to discuss the question at some indefinite time in the future, and requested that the State Department's good offices in this connection be solicited. [REDACTED] COMMENT: Although Greece apparently does not intend to bring up Enosis at the forthcoming UNGA, Enosis will continue to be a point of irritation between the UK, Greece, and Turkey. Nationalist agitation for Enosis in Greece where the subject has wide appeal, may eventually make issue more critical and the communists will continue to exploit the situation.

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"A" TURKEY. Turkish Ambassador Reaffirms Disappointment at Lack of Security Commitment from West. On 30 April just prior to his departure for Ankara, Turkish Ambassador Erkin expressed to the US State Department his keen disappointment at his inability to give any definite information to his Foreign Minister on the US decision on a Western security commitment with Turkey. In view of the Iranian situation, and other international developments, Erkin expressed the fear that in the absence of a firm security commitment, Turkey would be obliged to take measures to protect its own security. He indicated however that he did not mean that Turkey would "shake hands with Russia." [REDACTED] COMMENT: The Turks have been informed that Turkey's security position is again under consideration by the Western Powers and Erkin's vague remarks concerning Turkish plans to protect its security were probably designed to stimulate the US into speedier action in Turkey's favor. While there is a growing disillusion in Turkey over the government's failure to obtain

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inclusion in Western security arrangements and while some observers have expressed concern that Turkey under certain circumstances might be compelled to sign a non-aggression pact with the USSR, Turkey's anti-Sovietism and firm orientation toward the West make it unlikely that the Turks would turn to the USSR.

25X1 "C" IRAN. Iraqi Premier's Suggestion on Iranian Oil. Iraqi Premier Nuri Said has suggested to the UK and US Ambassadors in Baghdad that Iranian Foreign Minister Kazemi might be persuaded to exert a modifying influence on Premier Mossadeq in the oil issue. Nuri suggested that he might be persuaded to do so through his many friends in Turkey. Commenting that Nuri's action is evidence of his basic desire to help solve the oil problem in Iran, US Ambassador Crocker proposes that Nuri's suggestion be considered. [REDACTED] COMMENT: While Nuri, who has long been labelled pro-British, may have the best of intentions for resolving the oil problem in Iran, it is questionable whether this proposal has much merit. Kazemi, who has served as Iranian Ambassador to Iraq and Turkey, probably made many friends in both countries during his tenure as Ambassador, but has subsequently been reported as persona non grata in both countries.

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